

REMARKS

In response to the Office Action mailed April 18, 2002, applicants submit the above amendments and the following remarks. By the above amendments, applicants have canceled claims 3, 5, 13, 16-24, 27, and 37, without prejudice, amended claims 1, 2, 4, 7, 11, 12, 15, 25, 26, 28, 29, 33, 36, 39 and 40, and added new claims 41-44.

The above amendments and claim cancellations do not represent acquiescence in the Examiner's rejections and are made to expedite prosecution of the present application. Applicants reserve the right to resubmit the original claims in, for example, a continuation application. Reconsideration of the application is respectfully requested.

In paragraphs 3-17 of the Office Action, the Examiner rejects claims 1-40 as obvious under 35 U.S.C. § 103(a) over U.S. Patent No. 5,802,501 to Graff ("Graff") in view of U.S. Patent No. 5,812,987 to Luskin et al. ("Luskin"). Applicants respectfully traverse these rejections for at least the following reasons.

Graff teaches a system for dividing property into two components: an estate for years and a remainder interest. Graff discloses two main embodiments for his system. In the first embodiment, the divided property is real estate, and Graff discloses that ownership of each component can be held by a trust. In the second embodiment, the divided property may be individual tax-exempt securities or a pool of such securities (e.g., general obligation bonds, industrial revenue bonds, etc.; col. 4, ll. 2-8). With respect to the second embodiment, Graff suggests that a partnership should hold the tax-exempt securities, rather than a trust (col. 4, ll. 26-30).

Luskin describes a system for periodically adjusting the risk in a long-term investment fund, such as a pension fund, by controlling the mix of assets held by the fund over a period ending at a "time horizon" (col. 2, ll. 29-47). Luskin defines a "time horizon" as the date when "cash may be needed to be withdrawn from the fund" (col. 2, l. 35). As the "time horizon" approaches, the fund's mix of assets is adjusted to transfer holdings from riskier assets to those with less risk (col. 2, l. 39 to col. 3, l. 5; col. 6, ll. 32-46).

But even if there existed a motivation to combine the teachings of Graff and Luskin, this combination would fail to disclose the inventions recited in the pending claims.

For example, independent claim 1 calls for making certain distributions to holders of the claimed trust units. More specifically, this claim recites:

- (a) computing the price of the trust units based on the share ratio for the period and the current values of the underlying bond and the equity security shares;
- (b) comparing the computed price of the unit to a predetermined threshold price;
- (c) making a distribution to unit holders based on the comparison . . .

It is respectfully submitted that Graff and Luskin, taken alone or in combination, fail to disclose these claim elements. In particular, although Graff makes periodic cash payments to investors, those payments are not based on a comparison between a computed price and a predetermined threshold price. Indeed, as the Examiner recognizes in paragraph 3 of the Office Action, “Graff fails to teach periodically computing the price of the trust units based on the share ratio for the period and the current values of the underlying bond and the shares of the security.” Thus, Graff does not use an instrument's computed price in determining the amount to distribute to investors.

Luskin fails to supply this missing element. In paragraph 3 of the Office Action, the Examiner cites Luskin for the proposition of making a distribution to unit holders based on a comparison of a computed price to a predetermined threshold price. It is respectfully submitted, however, that Luskin fails to disclose this feature. In particular, the cited portions of Luskin relied on by the Examiner refer to the way cash is distributed among the different portfolios of Luskin's system, not distributions to individuals that own fund shares. See, e.g., Luskin at col. 5, ll. 1-4 (“In one embodiment of the invention, and as illustrated in the FIG. 2, the investment mix is adjusted by adjusting the percentage of available cash distributed among the portfolios P_m in each fund F_n ” (emphasis added)). Indeed, because Luskin's invention is directed to managing pension plans in the period before the investor's “time horizon” has been reached (see col. 2, ll. 18-25), Luskin does not expect to make any distributions to investors until that time (see col. 2, ll. 35-36 (“The time horizon H_i defines the expected date at which cash may need to be withdrawn from the fund . . . ”)).

By contrast, independent claim 1 expressly calls for “making a distribution to unit holders” (emphasis added). This claimed distribution is a function of a comparison between a computed price and a predetermined threshold price. Neither Graff nor Luskin

discloses such a distribution methodology, and accordingly, taken alone or in combination, fails to render obvious independent claim 1.

In addition, independent claim 1 further recites:

- (d) adjusting the share ratio of the units to reflect the distribution.

As will be recognized, since the number of equity security shares per trust unit is defined in the claim as the share ratio, decreasing a unit's share ratio represents a decrease in the number of shares per unit. Thus, in the invention of claim 1, a trust unit's composition changes as a result of the distribution. Neither Graff nor Luskin discloses changing such a share ratio as a result of distributions to investors.

It is respectfully submitted that independent claims 11, 25, and 28 are also allowable over the cited prior art for reasons analogous to those discussed above in connection with claim 1.

It is further respectfully submitted that dependent claims 2, 4, 6-10, 12, 14, 15, 26, 29-36, 38-40, and new dependent claims 41-44, which incorporate by reference all the limitations of the respective independent claims from which they depend, are similarly allowable for at least the reasons discussed above in connection with independent claim 1.

The original due date for this Response was July 18, 2002. Accordingly, a Petition for Extension of Time (three months) is filed herewith which renders this Response timely. Please charge any required fee in connection with this Petition to Pennie & Edmonds LLP Deposit Account 16-1150.

In light of the above, it is respectfully submitted that all the pending claims are patentable over the cited prior art. Favorable disposition of the pending claims is therefore respectfully requested.

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Respectfully submitted,

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Enclosures

EXHIBIT A
MARKED VERSION OF THE AMENDED CLAIMS
U.S. PATENT APPLICATION SERIAL NO. 09/397,704
(deleted text is indicated by brackets, added text is indicated by underlining)

1. (amended) A computer-based method for administering financial instruments, comprising the steps of:

establishing a trust with trust units, each unit [comprising] representing an interest in a bond having a maturity date and one or more equity security shares [of a security], where the number of shares is defined as a share ratio [and the unit par price is determined based on the values of the underlying bond and the shares of the security at a predetermined time;] and

periodically;

(a) computing the price of the trust units based on the share ratio for the period and the current values of the underlying bond and the [shares of the] equity security shares;

(b) comparing the computed price of the unit to a predetermined threshold price; [and]

(c) making a distribution to unit holders based on the comparison; and

(d) adjusting the share ratio of the units to reflect the distribution.

2. (amended) The method of claim 1 wherein at least some of the distribution is made of [shares of the] equity security shares.

4. (amended) The method of claim [3] 2 [further comprising the step of converting the excess difference into an excess number of shares of the security based on the current share price] wherein the number of shares in the distribution is based on the current share price and the difference between the computed price of the unit and the predetermined threshold price.

7. (amended) The method of claim [5] 4 further comprising the step of reinvesting distributions made to unit holders into new trust units by combining [excess number of] distribution shares [of the security] with a single bond into a trust unit having an adjusted share ratio.

11. (amended) A computer-based system for administering financial instruments, comprising:

[means for establishing a trust with trust units, each unit comprising a bond having a maturity date and one or more shares of a security, where the number of shares is defined as a share ratio and the unit par price is determined based on the values of the underlying bond and the shares of the security at a predetermined time;]

means for periodically computing the price of [the] trust units in a trust, each trust unit representing an interest in a bond having a maturity date and one or more equity security shares, where the number of shares is defined as a share ratio, and where the price of the trust units are based on the share ratio for the period, and the current values of the underlying bond and the equity security shares [of the security];

means for comparing the computed price of the unit to a predetermined threshold price; [and]

means for making a distribution to unit holders based on the comparison; and
means for adjusting the share ratio of the units to reflect the distribution.

12. (amended) The system of claim 11 [further comprising means for computing excess] wherein the means for comparing determines a difference between the [current] computed price of the unit and the predetermined [price and means for converting the excess difference into an excess] threshold price, and the means for making a distribution distributes equity security shares, where the number of shares [of] in the [security] distribution is based on the current share price and the difference.

15. (amended) The system of claim [13] 12 further comprising means for reinvesting distributions made to unit holders into new trust units by combining [excess number of] distribution shares [of the security] with a single bond into a trust unit having an adjusted share ratio.

25. (amended) A computer-based method for administering financial instruments, comprising the steps of:

establishing a trust with trust units, each unit [comprising a bond having] representing an interest in a fixed-income security that has a maturity date and one or more equity security shares [of a security], where the number of shares is defined as a share ratio

[and the unit par price is determined based on the values of the underlying bond and the shares of the security at a predetermined time];

periodically computing the price of the trust units based on the share ratio for the period, and the current values of the underlying [bond] fixed-income security and the [shares of the] equity security shares;

comparing the computed price of the unit to a predetermined number; [and]

making a distribution to unit holders based on the comparison; and

adjusting the share ratio of the units to reflect the distribution.

26. (amended) The method of claim 25 wherein at least some of the distribution to unit holders is made of [shares of the security] equity security shares.

28. (amended) A computer-based method [for reducing the short-term uncertainty in the return of an investment], comprising the steps of:

selecting [a] an equity security based on expectations for long-term capital appreciation;

selecting a long-term bond issue having a fixed maturity date and a predetermined face value;

creating a trust having units, each unit representing an interest in [comprising] one of the selected long-term bonds and a predetermined number of shares of the selected equity security, said number of shares being defined as a share ratio, the trust being associated with an account administrator having access to information about the created trust and about customers' accounts indicating ownership interest in the trust units;

periodically determining [the] a current value of the trust units using current market information about the underlying securities;

[comparing the determined current value of the trust units to a pre-set value; and]

distributing [excess value] payments to said customer accounts based on the difference between the current unit value and [the pre-set value.] a predetermined threshold price; and

adjusting the share ratio of the units to reflect the payments.

29. (amended) The method of claim 28 wherein the equity security is selected from among large-cap stocks.

33. (amended) The method of claim 28 [further comprising the step of converting the excess difference into an excess number of shares of the security based on the current share price] wherein at least some of the payment is made of a number of equity security shares wherein the number is based on the current share price and the difference between the computed price of the unit and the predetermined threshold price.

36. (amended) The method of claim 35 further comprising the step of reinvesting distributions made to unit holders into new trust units by combining [excess number of] equity security distribution shares [of the security] with a single bond into a trust unit having an adjusted share ratio.

39. (amended) The method of claim 28 wherein the step of creating a trust [comprises] includes developing an Excel spreadsheet program with entries corresponding to trust units and customer accounts.

40. (amended) The method of claim 39 further [comprising] including storing information about the trust units and the customer accounts in a database accessible by the account administrator.